



HF 604 – Motor Vehicle Insurance Verification (LSB2632HV.1)

Analyst: Adam Broich (Phone: (515)281-8223) (adam.broich@legis.iowa.gov)

Fiscal Note Version – As amended and passed by the House

Description

House File 604 requires the Department of Transportation (DOT) to contract with a third-party vendor to maintain a database and real-time Internet services model that will verify if a registered motor vehicle is insured. The vendor is required to send a notice to the owner of an uninsured vehicle to provide proof of liability coverage. The DOT will suspend a motor vehicle registration if the vehicle owner fails to respond to a second notice. Owners are required to pay a \$100 fee to reinstate a suspended vehicle registration. Fees collected from the reinstatement of registration will fund program administration. Fee revenue that exceeds the cost of administering the program will be retained by the Department for program expenses in future fiscal years.

The Bill contains the following provisions:

- Provides for the dismissal of a citation for driving without insurance if the driver purchases vehicle insurance after the accident but prior to the court date, and has not previously committed a violation related to driving without insurance.
- Prohibits local political subdivisions from using cameras or optical devices to identify drivers operating without vehicle insurance.
- Prohibits vehicle owners from disclosing fraudulent information to the DOT or the vendor. This violation is a simple misdemeanor.
- Requires insurers to provide certain information to the vendor to track the vehicles covered. Insurers that fail to comply are subject to a civil penalty of \$250 per day.
- Requires that database information remain confidential. Disclosure of database information is a Class D felony.
- Creates an advisory council to make recommendations regarding the program.
- Takes effect on July 1, 2019.

Background

Currently, the DOT is unable to verify that registered vehicles are insured. However, other states, including Alabama and Utah, have begun to utilize third-party vendors that routinely compare records from insurers to vehicle registrations through database reconciliation and digital roadside insurance checks by law enforcement.

Corrections Information

This Bill creates new offenses and imposes penalties of either a simple misdemeanor or a Class D felony. These are nonviolent crimes. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Correctional Impact Statements](#), dated January 30, 2017, for estimates on criminal justice system costs for criminal penalties. Offenders convicted of simple misdemeanors are usually sentenced to a financial penalty or community service, or both. Generally, they are rarely supervised in the correctional system.

Minority Data Information

This Bill creates new penalties and relates to several existing penalties. There is no historical data for new crimes. Refer to the LSA memo [Minority Impact Statements](#), dated January 30,

2017, for information related to minorities in the criminal justice system. Under current law, it is illegal to operate a vehicle in Iowa without first being registered with the DOT, or to operate without liability insurance. The table below shows the FY 2014 offender-based convictions for these offenses. African Americans are disproportionately convicted compared to their percentage of the Iowa population.

Table 1

	African				Native			
	American	Asian	Caucasian	Hispanic	American	Other	Unknown	Totals
Operating Non-Registered Vehicle	180	19	1,737	32	4	26	454	2,452
No Proof of Financial Liability	1,341	87	6,198	365	65	199	1,361	9,616
No Proof of Financial Liability - Accident	436	30	1,669	107	12	59	370	2,683
Violation - Financial Liability Coverage	580	34	2,359	96	16	93	461	3,639
Violation - Financial Liability - Accident	179	8	469	23	3	21	124	827
Totals	2,716	178	12,432	623	100	398	2,770	19,217
Percent of Total	14.1%	0.9%	64.7%	3.2%	0.5%	2.1%	14.4%	

Assumptions

The Iowa DOT staff believes program performance will mirror the characteristics of Utah's insurance verification program. With the exception of one assumption that uses data from an insurance verification program in Alabama, the following assumptions reflect the performance of the Utah program:

- An estimated 315,000 vehicle registrations will be suspended in the first year. This is an estimated 8.8% of all registered vehicles. Revocations will decrease to 189,000 in the second year, and will continue to decrease each year thereafter.
- An estimated 8.0% of suspended registrations will be reinstated after paying a \$100 reinstatement fee. In the first year, 25,000 individuals will pay the reinstatement fee. In the second year, 15,000 individuals will pay the fee. The number of fees collected will decline as registration revocations decrease.
- The number of vehicle operators who will not pay an annual registration fee due to a revocation is unknown. This Fiscal Note assumes that 52,000 vehicle operators who would have paid a fee prior to the enactment of [HF 604](#) will not pay an annual registration fee. The payments will impact the year following the revocation. These vehicle operators are assumed to have paid the minimum annual registration fee of \$50. This assumption is based on the number of vehicles with suspended registration fees in Alabama's insurance verification program that are not sold, stored, or disposed of by other means. This information was not available in Utah.
- The vendor contract will cost approximately \$2.0 million per year.

Cost to the DOT

- Registration reinstatement fees will fund expenses for the vendor contract and mailing expenses, and the cost of manufacturing license plates will be funded through fees collected from reinstating registrations.
- Reinstated registrations will require the reissuance of a license plate at a cost of \$3.64 per set of plates.
- Salary expenses will be funded by an annual appropriation.
- The DOT estimates that 3.0 additional FTE positions may be required to administer the program. These positions may be requested in the annual DOT Operations budget for

FY 2020, and will require independent appropriation action by the General Assembly. The positions include one [Clerk](#), one [Information Technology Specialist 4](#), and one [Executive Officer 1](#). Any future budget requests may be subject to revision upon further evaluation.

Citations Issued

House File 604 will increase convictions and paid fines due to motorists operating without proper registration (Iowa Code section [321.17](#)). It is estimated that 2.0% of motorists operating without a vehicle registration will be issued a citation, and that 90.0% will pay the fine. This Fiscal Note assumes that there will be an increase in drivers operating without registration due to revocations issued. These fines are deposited in the General Fund and the Victim Compensation Fund.

House File 604 will decrease fines levied due to driving without insurance (Iowa Code section [321.20B](#)). The Bill may enable law enforcement to identify uninsured drivers more easily, but the impact on citations issued is unknown. This estimate assumes that law enforcement activities will not change due to [HF 604](#). This Fiscal Note assumes that citations issued for driving without insurance will decrease by 11.0% each year. These fines are deposited in the General Fund and the Victim Compensation Fund.

House File 604 also provides for the dismissal of an insurance citation under certain circumstances. At this time it is not possible to identify the number of citations that may be dismissed due to this provision.

Felonies and misdemeanors established in HF 604 are new penalties, and their fiscal impact is unknown. The number of civil penalties assessed on insurance companies is unknown.

Correctional and Minority Information

Prisoner length of stay under supervision, revocation rates, plea bargaining, and other criminal justice system policies and practices will not change over the projection period. There is a six-month lag between the effective date of this Bill (FY 2020) and the date of first entry of affected offenders into the criminal justice system. There is no data for new crimes. The impact on minorities will remain consistent with current law.

Summary of Impacts

Correctional Impact

The correctional impact cannot be determined because this Bill creates new crimes. The State's cost of one Class D felony conviction under this Bill is estimated to be between \$6,300 and \$12,300.

Minority Impact

There is no data regarding new crimes. The impact of the new simple misdemeanor and Class D felony in this Bill cannot be estimated. The Bill is expected to have a minority impact on African Americans. They represent 3.5% of Iowa's population and 14.4% of total convictions of existing offenses affected by this Bill. Citations issued for driving without registration are expected to increase. Citations issued for driving without insurance are expected to decrease. This assumes that law enforcement decisions will remain consistent with current practices.

Fiscal Impact

General Fund, Court Expenses, and Victim Compensation Fund

- Revenues deposited in the General Fund may increase by up to \$27,000 for each year after FY 2020.
- The revenue reduction due to dismissing citations for driving without vehicle insurance is unknown at this time. An estimated \$1.3 million is collected for these citations, with

\$756,000 deposited in the General Fund, \$386,000 deposited in the Victim Compensation Fund, and \$173,000 retained by counties. Any revenue reductions will begin in FY 2020.

- The State's cost for one simple misdemeanor conviction under this Bill is estimated to be no more than \$30. It is estimated that HF 604 may decrease expenses for the Judicial Branch by a maximum of \$20,000 each year FY 2020 to FY 2023.
- Beginning in FY 2020, revenue deposited in the Victim Compensation Fund may decrease by up to \$60,000 per year due to a decrease in citations for operating without insurance.

Department of Transportation, TIME-21 Fund, and Program Balance

- Registration fees that are unpaid due to a suspension lasting longer than a year are estimated to reduce revenue to the TIME-21 Fund by \$2.6 million in each fiscal year beginning in FY 2021.
- 3.0 additional FTE positions may be requested to implement the program. These positions will require \$190,000 in additional funding for each fiscal year. Support for these FTE positions will be funded through annual appropriations to the DOT in the Transportation Appropriations Act.

Estimated program expenditures, excluding salaries, are shown in **Table 2**.

Table 2

DOT Estimated Program Expenses				
	Revocation Mailings	Plate Issuance	Vendor Contract	Total
FY 2018	\$ -	\$ -	\$ -	\$ -
FY 2019	-	-	-	-
FY 2020	172,000	103,000	2,000,000	2,275,000
FY 2021	137,000	83,000	2,000,000	2,220,000
FY 2022	124,000	74,000	2,000,000	2,198,000
FY 2023	96,000	58,000	2,000,000	2,154,000

Table 3 reflects estimated expenditures, program revenue, and the balance of the program. Fees paid to the DOT will decline as fewer registrations are suspended in future years. As a result, revenue will not be sufficient to pay for the cost of a vendor contract after the fourth year. An estimated 20,000 registration reinstatements must be paid each year to cover the estimated cost of the vendor contract.

Table 3

Estimated Program Expenses and Revenue (in millions)			
	Expenses	Fines Collected	Program Balance
FY 2018	\$ -	\$ -	\$ -
FY 2019	-	-	-
FY 2020	2.3	2.8	0.6
FY 2021	2.2	2.3	0.6
FY 2022	2.2	2.0	0.5
FY 2023	2.2	1.6	(0.1)

Sources

Alabama Department of Revenue

Iowa Department of Transportation

Utah Department of Transportation

Utah Courts

Department of Human Rights, Division of Criminal and Juvenile Justice Planning

LSA calculations

/s/ Holly M. Lyons

April 12, 2017

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
